

Message Text

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PAGE 01 SANTIA 00935 112214Z

70

ACTION EB-07

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CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07

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SP-02 SS-15 STR-01 TRSE-00 FRB-03 FEA-01 PA-01 PRS-01

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R 112102Z FEB 75

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 2143

INFO AMEMBASSY BEIRUT

AMEMBASSY BERN

AMEMBASSY TEHRAN

C O N F I D E N T I A L SANTIAGO 0935

E.O. 11652: GDS

TAGS: EFIN, CI

SUBJECT: GOC CONTINUES SEARCH FOR PETRODOLLARS

REF: SANTIAGO 0205 (NOTAL)

1. SUMMARY: MINISTER OF ECONOMIC COORDINATION RAUL SAEZ WAS UNSUCCESSFUL IN OBTAINING IRANIAN FINANCIAL ASSISTANCE FOR CHILE BUT BELIEVES AT LEAST \$400 MILLION FROM ARAB SOURCES MAY BE AVAILABLE THROUGH SWISS INTERMEDIARIES. END SUMMARY.

2. RAUL SAEZ TOLD EMBOFFS FEBRUARY 10 THAT HIS ATTEMPT TO GET LARGE-SCALE BALANCE OF PAYMENTS ASSISTANCE FROM IRAN HAD BEEN UNSUCCESSFUL. GOI OFFICIALS IN TEHRAN TOLD HIM THAT THEIR LENDING OF THIS TYPE WAS THROUGH INTERNATIONAL FINANCIAL INSTITUTIONS. IRANIANS DID DISCUSS POSSIBILITY OF SOME ASSISTANCE TIED TO CHILEAN COPPER PRODUCTION. IRANIAN INTENTIONS ARE CLEARLY IMPERIALISTIC, SAEZ SAID, AND THEIR FINANCIAL ASSISTANCE WOULD BE CONDITIONAL ON CHILEAN SUPPORT OF
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PAGE 02 SANTIA 00935 112214Z

IRANIAN POSITIONS ON POLITICAL AND ECONOMIC ISSUES. FOR EXAMPLE

IRAN WILL BECOME MINOR COPPER EXPORTER SOON AND THEY TOLD SAEZ OF THEIR INTEREST IN SETTLING UP AND LEADING COPPER EXPORT CARTEL. CHILEANS COUNTERED WITH OFFER TO SET ASIDE 100,000 MT OF REFINED COPPER AS GUARANTEE FOR \$220 MILLION IRANIAN LOAN. COPPER WOULD BE SOLD AND DEBT REDEEMED ONLY WHEN LME PRICE REACHED \$1 PER POUND. SAEZ SAID IRANIANS APPEARED MILDLY INTERESTED IN THIS PROPOSAL (WHICH WE FOUND RATHER MUDDLE HEADED), BUT HE HAS LITTLE HOPE THAN ANYTHING WILL COME OF IT. IN FACT, HE IMPLIED HIS STOP IN IRAN HAD LEFT A RATHER BAD TASTE IN HIS MOUTH.

3. ON OTHER HAND, GOC'S SEARCH FOR CASH FROM OTHER PETRODCOLLAR SOURCES LOOKS ENCOURAGING, SAEZ SAID. HE FOLLOWED UP IN EUROPE ON CREDIT OFFICERS FROM GROUPS IN BEIRUT AND SWITZERLAND REPRESENTING ARAB INTERESTS. SAEZ BELIEVES SWISS ORGANIZATION IS SERIOUS. GOC PROPOSAL TO BORROW AT LEAST \$400 MILLION AT SLIGHTLY OVER 8 PERCENT INTEREST, FOUR YEAR GRACE PERIOD, REPAYMENTS SPREAD EQUALLY OVER FOLLOWING 16 YEARS IS BEING STUDIED BY POTENTIAL CREDITORS. EVIDENTLY CHILE WOULD ALSO HAVE TO PAY AN ADDITIONAL THREE PERCENT CHARGE AS SOME KIND OF FINDER'S FEE. CHILE WANTS \$400 MILLION BECAUSE THAT IS AMOUNT OF PRESENTLY UNFINANCED 1975 BOP GAP EVEN ASSUMING FULL IMF ASSISTANCE. HE SAID CREDITORS MIGHT BE WILLING TO GO UP TO \$1 BILLION.

4. SAEZ EXPECTS TO RETURN TO EUROPE LATER IN FEBRURARY FOR MORE DETAILED DISCUSSIONS AND POSSIBLE FINAL AGREEMENT ON THIS CREDIT. AS A RESULT OF TRAVEL UNCERTAINTY HE WILL NOT ATTEND CEPICIES REVIEW IN WASHINGTON. GOC TEAM WILL BE HEADED BY MINISTER OF ECONOMY FERNANDO LENIZ. IT IS SAEZ'S INTENTION TO PASS THROUGH WASHINGTON, EITHER BEFORE OR AFTER GOING TO EUROPE, FOR DISCUSSIONS WITH IMF AND USG OFFICIALS.
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